PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE

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TO: Distribution **DATE:** November 23, 1994

FROM: Marketing Information & Analysis/Bruce Neidle

SUBJECT: Nielsen Analysis - October 1994

The following report is based on the Integrated Nielsen Panel, with monthly data representing the four week period from 10/2/94 to 10/29/94.

SUMMARY

- PM's share declined to 46.1%, -0.6 points below its mid-year peak.
- RJR experienced its first month-to-month decline since June 1994, down -0.2 points.
- The Discount category advanced for the first time since January 1994, up +0.1 point.

Philip Morris

- PM's monthly share declined for the fourth consecutive period, down -0.2 points versus month-ago and -0.6 points from its June 1994 peak. This month's loss was driven by Marlboro while OPB and PM Discount remained relatively stable. PM was favorable versus all benchmark criteria except OPB and B&H.

- Marlboro declined -0.2 points from last month's peak level to 29.1%, with the loss concentrated in c-stores (-0.5 points). To some extent, this likely reflected a seasonal influence on performance, with the franchise's retail share in October declining during five of the last six years.

- PM's Other Premium Brands remained stable for the second consecutive month at 8.8%. This month's performance reflected month-to-month gains in convenience stores offset by moderate declines in carton outlets.

Competitive Manufacturers

- Following three consecutive monthly gains, RJR experienced a -0.2 point decline in October to 28.8%. This month's loss was dispersed across its major premium products (including Winston and Camel), Reynolds PL's and Best Value.

- Among the other manufacturers, B&W, Lorillard and American each posted +0.1 point advances, while Liggett remained flat.

Discount Category

- The Discount category's share advanced +0.1 point versus month-ago to 30.9%, its first positive performance since the beginning of the year. During the month, Discount sales continued to shift to branded products:
  - The Branded Discount segment expanded +0.2 points to 24.1%, with Basic, Misty and Montclair realizing month-to-month gains. Doral maintained its position as the leading Discount entry for the second consecutive month (0.2 points ahead of GPC).
  - The Private Label segment declined -0.1 point, with PM and RJR incurring declines while Liggett rebounded to its highest level since March 1993 (1.2%).

- PM's Discount share remained stable at 8.2%, with Basic's gain offset by PL losses. Basic's share of the Discount category advanced +0.1 point to 14.6%, surpassing its benchmark criteria. During October, Basic was supported by a nationally dropped B2G1F Free Standing Insert (FSI) and incentive deals at retail.

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DISTRIBUTION

M. Anton
R. Anise
D. Beran
G. Bible
S. Bloom
G. Blumenson
D. Burrows
W. Campbell
J. Chaump
J. Clary - R2
C. Cohen
M. Codella
N. Conrad
D. Dangoor
G. Eastburn
R. Ferrin
C. Finch - R3
S. Fuller
L. Funess
T. Garguilo
E. Gawronski
E. Gee
A. Goldfarb
J. Greene
P. Henriques
A. Hyland
S. Jannetta
C. Johnson
E. Joyce
T. Keim
J. Kiernan
S. LeVan
C. Levy
B. Lewis
J. Lichtman
N. Lund
M. Mahan
R. Mikulay
J. Morgan
J. Mortensen - R5
M. Murphy
W. Murray
D. Nelson - R1
J. Nelson
S. O'Brien
N. Parmet
V. Penninti
S. Piskor
B. Reuter
T. Saloun
M. Schroeder
B. Schuyler
A. Schwartz
R. Simons
H. Steele
N. Suter
M. Szymanczyk
J. Turner
B. Weinstein
L. Wexler
R. Whalen
H. Willard - R4

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